

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
High Cost Universal Service Support)	WC Docket No. 05-337

REPLY COMMENTS OF FRONTIER COMMUNICATIONS CORPORATION

Frontier Communications Corporation (“Frontier”) hereby submits the following reply comments on its Petition for Waiver of Sections 54.313(a)(10) and 54.318(i) of the Commission’s Rules or for Rulemaking to Modify Section 54.318(i) of the Commission’s Rules.¹ Frontier requested waiver to use a weighted average consumer rate when calculating its compliance with the Commission’s “rate floor”² and “rate ceiling”³ rules in West Virginia due to the State’s unique rate structures. The record clearly demonstrates that given the unique circumstances involved, it would be in the public interest for the Commission to expeditiously grant Frontier’s *Petition*.

I. WEST VIRGINIA’S UNIQUE RATE STRUCTURE PROVIDES FOR CONSUMER CHOICE AND WARRANTS WAIVER FROM THE COMMISSION’S RULES

Frontier explained in the *Petition* that West Virginia ILECs offer all residential consumers four choices of local service plans that vary in price depending upon the mix of flat-rate and measured service chosen by the customer. Only 13% of Frontier’s West Virginia

¹ Frontier Communications, Petition for Waiver of Sections 54.313(a)(10) and 54.318(i) of the Commission’s Rules, WC Dkt. Nos.10-90, 05-337 (filed Dec. 7, 2012) (“*Petition*”).

² See 47 C.F.R. § 54.318(i).

³ See 47 C.F.R. § 54.313(a)(10).

customers subscribe to Frontier's lowest cost calling plan which bills all calls on a measured basis. These customers pay a \$7 monthly base rate and average just over \$3 per month in measured service fees. The vast majority of Frontier's West Virginia customers – 87% - choose higher-priced plans that include calling to some or all of the local calling area on a flat-rate basis. Despite the fact that the average rate paid by all West Virginia subscribers is \$25/month, Frontier's lowest priced plan will fall below the "rate floor" for 2013 established in the Commission's *USF/ICC Transformation Order* if the rates of each calling plan must be considered separately. Without relief from the Commission, Frontier faces the difficult choice of either raising rates on those least likely to be able to afford a rate change in order to comply with the Commission's "rate floor" calculation, or losing Universal Service support that is crucial for maintaining operations in high-cost West Virginia. Further, Frontier explained how its most expensive and most popular local service plan may, at \$29/ month, exceed the Commission's local rate comparability benchmark if considered separately.⁴ Accordingly, Frontier believes using a weighted rate average in West Virginia for the purposes of complying with the Commission's rules is in the public interest. Commenters in this proceeding, representing both the public and private sectors, agree.

Each commenter in the record, including the State of West Virginia Public Service Commission ("WVPSC") and members of the telecom industry, supported the *Petition*. In its supporting comments the WVPSC lends firsthand experience concerning the purpose of the current local rate structure, which is based on consumer choice. Noting that West Virginia residents tend to be more elderly and have lower incomes than telecommunications users

⁴ See generally *id.* at 2-4; see also Comments of Frontier Communications, WC Dkt. No. 10-90 (filed Sept. 28, 2012).

nationally,⁵ the WVPSC points out that “the flat monthly fee of approximately \$7.00 per month plus measured service . . . may appear to be a highly subsidized rate, but that view fails to account for the impact of the measured service element or the relative expense of telecommunications services in the budget of a low-income consumer.”⁶ Further, the actual mechanics of the rate prevent it from being an artificially subsidized rate as “[a] subscriber to this rate tier has chosen (from either economic necessity or as a reflection of historic usage) to minimize outgoing calls or pay a higher variable rate at times of increased telephone usage.”⁷

Rate tiers like those in West Virginia, which are based on consumer preferences, were not the policy problems that the Commission sought to solve when implementing its rate floor and rate ceiling rules. As ITTA shows, West Virginia’s local rate structure does not violate the Commission’s stated policy that “[i]t is inappropriate to provide federal high-cost support to subsidize local rates beyond what is necessary to ensure reasonable comparability’ and . . . ‘to subsidize the cost of service for some consumers that pay local service rates that are significantly lower than the national urban average.’”⁸ Instead, customers on the \$7 monthly rate plus measured usage have chosen a plan designed for very limited external calling use as the one best suited to their needs. On the opposite end of the rate spectrum, ITTA accurately states that “strict application of the rate comparability benchmark to Frontier’s [highest] service offering would be contrary to the public interest because it would eliminate the option chosen by 69% of Frontier’s West Virginia customers, who willingly pay a higher flat-rate for all calls within the

⁵ Comments of the Public Service Commission of West Virginia, WC Dkt. Nos. 10-90, 05-337, 4 (filed Feb. 4, 2013) (“WVPSC Comments”).

⁶ *Id.* at 3

⁷ *Id.*

⁸ Comments of the Independent Telephone and Telecommunications Alliance, WC Dkt. Nos. 10-90, 05-337, 3-4 (filed Feb. 11, 2013) (citations omitted) (“ITTA Comments”).

very large local calling area.”⁹ On average, the existing rate structure results in West Virginia customers paying \$25 a month for local service – above the rate floor and below the rate comparability benchmark. The Commission should recognize that these unique West Virginia rate tiers are fully consistent with its policies by allowing Frontier to average its rates for purposes of computing its compliance with the rate floor and rate ceiling rules.

II. COMMENTERS DEMONSTRATE THAT GRANTING THE *PETITION* IS IN THE PUBLIC INTEREST

Granting the *Petition* is in the public interest because the current rate structure benefits both West Virginia residents as well as contributors to the Universal Service Fund nationwide. The WVPSC’s experience shows that the “bottom or Thrifty Caller tier within the current Frontier local calling price structure in West Virginia advances ... [the] goal” of “extending affordable telecommunications services to rural and low-income consumers.”¹⁰ The WVPSC believes that the lowest rate tier functions very similarly to a Lifeline program, but without the need for federal subsidies, which in turn lowers the overall universal service contribution rate. Indeed, “the WVPSC believes that the lack of direct federal subsidies to the Thrifty Caller plan may attract customers that would shun direct government support from the Lifeline program,”¹¹ benefitting low-income subscribers who would otherwise be without communications services. Accordingly, the WVPSC urges the Commission to grant the *Petition* because “applying a rate floor in a manner that penalizes these customers by requiring increased rates for full USF

⁹ ITTA Comments at 6. Further, as the *Petition* states, “the average revenue produced by West Virginia basic local rates is almost \$25/month, which is well above the 2013 \$14 rate floor requirement and importantly is over 50% higher than the most recently published national urban rate.” *Petition* at 5.

¹⁰ WVPSC Comments at 3.

¹¹ *Id.* at 4.

participation indirectly harms these customers and the longstanding goal of universal service underlying the USF.”¹²

The alternative of forcing Frontier to forgo Universal Service Support in lieu of raising residential rates in West Virginia is also contrary to the public interest. ITTA notes that “[t]he loss of such a significant amount of universal service support based on the mechanical application of the FCC’s rules . . . undermines the Commission’s goal to spur broadband deployment and adoption in high-cost areas.”¹³ ITTA also notes that granting the *Petition* would not change Frontier’s support level from 2012 to 2013. Frontier agrees with ITTA that “ensuring Frontier will receive sufficient, predictable support to which it should be entitled will further the purpose of the Connect America Fund to accelerate broadband buildout and close the rural-rural divide.”¹⁴ In sum, granting the requested waiver enables Frontier to receive the funding that the Commission has already established as in the public interest without forcing a rate increase on the most vulnerable customer populations.

For the highest-priced plan, ITTA shows that preserving West Virginia consumers’ option to purchase the most expensive plan with the largest flat-rate calling area is also in the public interest: “The fact that a majority of Frontier’s customers have chosen Frontier’s most expensive calling plan when there are several other service plans with rates below the rate comparability benchmark reflects the value they associate with that option.”¹⁵ ITTA supports the *Petition* because it believes that “the requested relief would serve the public interest by encouraging the provision of consumer-oriented service plans that allow subscribers to choose

¹² *Id.*

¹³ ITTA Comments at 4-5.

¹⁴ *Id.* at 7-8.

¹⁵ *Id.* at 7.

from among a variety of service options according to their individual calling needs.”¹⁶ A simple averaging of the West Virginia rate structures as requested in the *Petition* would accomplish these purposes and allow Frontier to comply with Commission rules governing the rate floor and rate ceiling.

III. THE COMMISSION SHOULD GRANT THE *PETITION* EXPEDITIOUSLY

Subsequent to Frontier filing its *Petition*, a group of four West Virginia Rural Local Exchange Carriers also filed for the same relief as requested in the *Petition* for the same reasons enunciated in the *Petition*.¹⁷ The West Virginia Rural Companies’ *Petition* demonstrates that the requested relief is needed to ensure continuity and equity for all West Virginia ILECs, not just Frontier. The public interest arguments in favor of granting a waiver in these unique circumstances are clear and supported on the record. The consensus of all commentators in favor of granting the *Petition* allows the Commission to quickly grant the *Petition* well in advance of the upcoming July 1, 2013 deadline, when the new certifications for rate floor and rate ceiling compliance are due. Frontier urges the Commission to provide the requested relief immediately.

Respectfully submitted,

_____/s/_____
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February 26, 2013

¹⁶ *Id.*

¹⁷ Armstrong Telephone Company--Northern Division; Armstrong Telephone Company-- West Virginia; Hardy Telecommunications, Inc.; and Spruce Knob Seneca Rocks Telephone, Inc., *Petition for Waiver By the West Virginia Rural Companies Of Sections 54.313(a)(10) and 54.318(i) Of The Commission’s Rules Or, In The Alternative, Request For Temporary Waiver and Support for the Pending Request For Rulemaking to Modify Section 54.318(i) of the Commission’s Rules*, WC Dkt. Nos. 10-90, 05-337 (filed Feb. 5, 2013).